



STATE OF DELAWARE


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MEMORANDUM

TO: The Chair and Commissioners

FROM: Malika Davis, Public Utility Analyst 

DATE: March 1, 2018

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN NATURAL GAS BASE RATES (FILED AUGUST 17, 2017) – PSC DOCKET NO. 17-0978

Application:

On August 17, 2017, Delmarva Power & Light Company (“Delmarva” or the “Company”) filed an application (“Application”) seeking approval for an increase in its natural gas base rates. The total revenue increase requested by Delmarva in the Application was approximately \$12,866,033 or 8.8% over total delivery service rates (See Application ¶ 5). Pursuant to 26 *Del. C.* §306(c) the Company included in its Application a request for authorization to collect temporary rates designed to produce an annual increase of \$2,500,000 beginning November 1, 2017 (See Application ¶ 11). The Company’s request to collect temporary interim rates was subsequently granted by the Commission through the issuance of Order No. 9109 dated August 22, 2017.¹

On November 7, 2017, the Company submitted a supplemental update (“Supplemental Update”) to reflect an additional three months of actual data as required by Section 1.2.3.1 of the MFR. The Supplemental Update reduced the revenue requirement increase to approximately \$11,027,533. On February 9, 2018, pursuant to Order No. 9166 dated January 16, 2018, Delmarva made a supplemental filing related to the 2017 Tax Cuts and Jobs Act which reduced the requested revenue increase to approximately \$3,940,430.

On February 26, 2018, pursuant to 26 *Del. C.* §306(b), Delmarva filed a petition (“Petition”) to implement revised interim rates to collect the additional \$1,440,430 in revenues above the initial level

¹ PSC Order No. 9109 also granted Delmarva’s request to waive the requirements of Section 2.2 of the Minimum Filing Requirements (“MFR”) regarding plant capacity and service; Section 5.3.8 of the MFR regarding purchased power data and deferred fuel cost accounting; and Section 5.3.14 of the MFR requiring expense information to be filed relating to certain affiliated transactions.

of \$2,500,000 set to be recovered from the implementation of the first interim rates that occurred pursuant to Order No. 9109.

Review and Recommendation:

Under 26 *Del. C.* §306(b), at the expiration of seven (7) months after the filing of an application for a rate increase, a public utility is authorized to implement its proposed rate increase, on a temporary basis and subject to refund, under bond with sureties, so long as the revised interim increase does not exceed 15% of the public utility's gross intrastate operating revenues.^{2 3}

Staff has reviewed the proposed revised interim rate calculations, the clean and redlined tariff sheets, and the rate derivation model contained within Delmarva's Petition and concurs with the Company's distribution of the revised interim rates which total approximately \$1.4 million compared to current rates. The proposed revised interim rates, which will increase rates across all rate classes, are proposed to be effective with usage on and after March 17, 2018, which is in accordance with the seven (7) month statutory time window.

Therefore, Staff respectfully recommends that the Commission approve implementation of the Company's proposed revised interim rates with usage on or after March 17, 2018. Staff also recommends that the Commission require Delmarva to file with the Commission a rate refund bond, without surety, within ten (10) days of Commission approval.

² 26 *Del. C.* §306(b): "Upon termination of the 7 months as set forth in paragraph (a)(1) of this section the proposed rate change shall automatically become effective if the public utility files with the Commission a bond in a reasonable amount approved by the Commission with sureties approved by the Commission, conditioned upon the refund, in a manner to be prescribed by order of the Commission, to the persons entitled thereto of the amount of the excess, if the rate so put into effect is finally determined to be excessive; or there may be substituted for such bond other arrangements satisfactory to the Commission for the protection of the parties interested. In no event shall a public utility put a rate into effect under bond as authorized in this subsection that would constitute an increase in excess of 15 percent of the public utility's gross intrastate operating revenues."

³ On its 2016 annual gross revenue return filed on April 4, 2017, Delmarva reported gross Delaware intrastate operating revenues of \$131,854,604. Hence, Delmarva's revised interim increase does not exceed 15% of its intrastate operating revenues (\$19,778,190)